

# Factsheet on

## 1 to 1 CONVERSION RULES



Photo Credit: RSPO/PT.BGA

## INTRODUCTION

To compensate for the imbalance in supply and demand for RSPO Certified sustainable products in the global market, the 1 to 1 Conversion Rules have been introduced in the RSPO Supply Chain Certification (SCC) Standard since the 2011 version. This requirement is still maintained in the current version of the [RSPO SCC Standard 2020](#), Clause C.5.3, which states:

*“Sites can purchase a certain volume or weight of Identity Preserved (IP) or Segregated (SG) RSPO certified palm oil and palm kernel products and use it to match the sales of equal volumes of oil palm product derivatives that then carry a Mass Balance claim without requiring a physical or chemical link between the acquired Identity Preserved or Segregated product and the derivative that is sold under Mass Balance (see Figure 1). The conversion from Identity Preserved or Segregated products to Mass Balance is allowed upwards, sideways, and downwards in the same product tree.”*

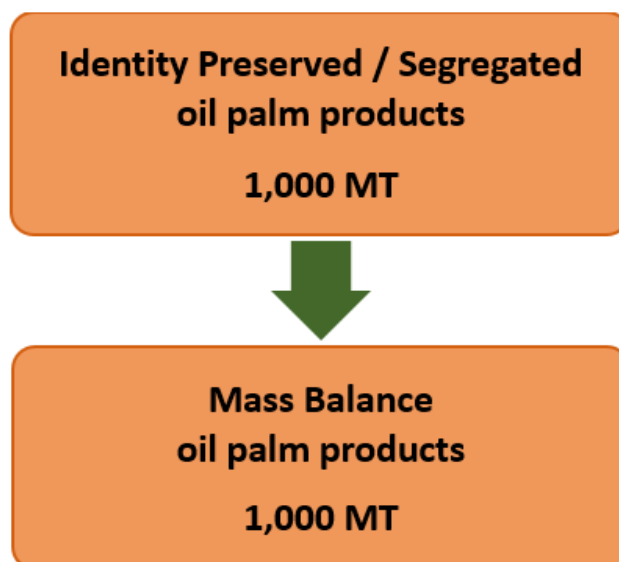


Figure 1: Conversion 1 to 1 IP/SG to MB

*Note: Identity Preserved / Segregated palm oil products cannot be used to offset Mass Balance claims on palm kernel products or vice versa.*

The Mass Balance (MB) model is crucial to transition markets from RSPO Credits to a more physical supply of RSPO certified products. However, an imbalance in supply and demand may hinder this. For example, the European market demands RSPO Certified stearin and there is less market demand for RSPO Certified olein. When palm oil is fractionated, approximately 20% is stearin and 80% is olein. Therefore the full premium paid for Certified Sustainable Palm Oil (CSPO), can only be charged over 20% of the product (i.e. stearin).

## What are the 1 to 1 Conversion Rules?

1 to 1 conversion rules allow the RSPO Certified production sites to purchase a certain volume or weight of Identity Preserved (IP) or Segregated (SG) RSPO Certified palm oil and palm kernel products and use it to match the sales of equal volumes of oil palm product derivatives that then carry a MB claim, without any physical or chemical link between the acquired IP or SG product and the oil palm product derivatives that are sold under MB by converting the equivalent volume.

The 1 to 1 Conversion Rules allow conversion of oil palm product derivatives from IP or SG products to MB oil palm products derivatives either upwards, sideways, and downwards within the same product tree.

In other words, the 1 to 1 Conversion Rules allow RSPO Certificate holders to downgrade their IP or SG certified palm oil and palm kernel products to oil palm product derivatives with MB status based on a 1 to 1 ratio without requiring any physical or chemical link to the original materials. However, this rule is only allowed for RSPO Certificate holders which are certified for at least two supply chain models (i.e. IP/SG and MB) and additionally, assigned with the Conversion Rights in RSPO PalmTrace by the Certification Body.

# HOW DOES IT WORK?

The following examples will provide the overview of the implementation of this 1 to 1 Conversion Rule:

## Example 1: Conversion of palm kernel expeller to palm kernel oil (as a crusher) based on 1:1 Rules.

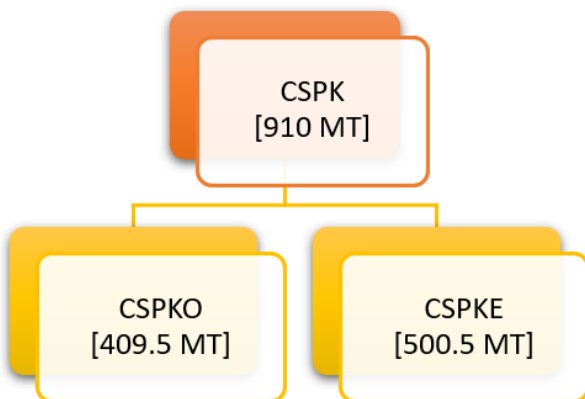
The following provides an example of the 1 to 1 Conversion Rule of IP/SG materials to MB in a Kernel Crushing Plant (KCP). For instance, a KCP might keep a positive stock of 500.5 MT of IP-CSPKE (Certified Sustainable Palm Kernel Expeller) in their RSPO PalmTrace account. By implementing this rule, it will allow them to convert the 500.5 MT IP-CSPKE volume to MB-CSPKO (Certified Sustainable Palm Kernel Oil) (refer to Figure 2.b).

In a normal scenario (refer to Figure 2.a), a Kernel Crushing Plant (KCP) may produce 409.5 MT palm kernel oil (PKO) and 500.5 MT palm kernel expeller (PKE) from the 910 MT palm kernels processed.

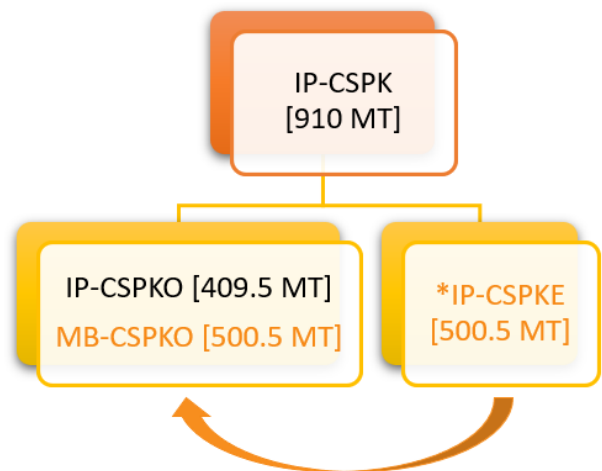
The RSPO 1:1 rules allow members to convert RSPO IP or SG palm oil products *upwards, sideways, and downwards in the same product tree without necessarily having a chemical or physical link*. This can be done by performing the “Convert” function in the RSPO PalmTrace platform.

Figure 2.b illustrates how the 1:1 rules are implemented for a “Sideways” conversion of IP-CSPKE to MB-CSPKO. By implementing this, the RSPO members will have the opportunity to sell an extra 500.5 MT MB-CSPKO (refer to orange font in Figure 2b). This can be done by performing the “Convert” function in RSPO PalmTrace to convert the volume of 500.5 MT IP-CSPKE to 500.5 MT MB-CSPKO.

**Figure 2.a. Palm Kernel Oil Yield (Normal)**



**Figure 2.b. Conversion 1 to 1 (Sideways)**



\*Conversion 1 to 1 IP-CSPKE to MB-CSPKO

\*Note: this conversion can also be done with SG-CSPKE.

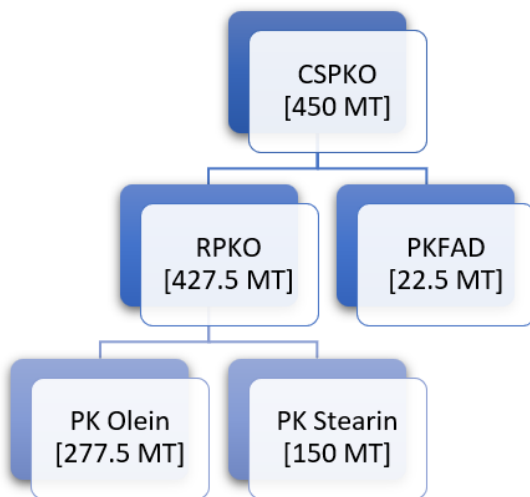
## Example 2: Conversion of palm kernel stearin to palm kernel olein (as a refinery) based on 1:1 Rules.

In a normal scenario (refer to Figure 3.a), a palm oil refinery may produce 427.5 MT refined palm kernel oil (RPKO) when refining 450 MT of the palm kernel oil. By fractionation, it may produce 277.5 MT PK olein and 150 MT PK stearin.

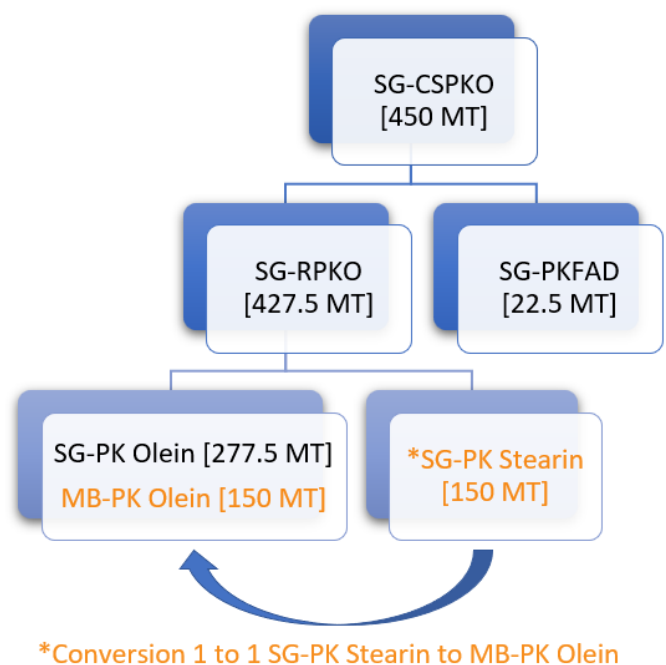
The RSPO 1:1 rules (Figure 3.b) allow members to convert RSPO IP or SG palm kernel oil products *upwards, sideways, and downwards in the same product tree without necessarily having a chemical or physical link*. This can be done by performing the “Convert” function in the RSPO PalmTrace platform.

Figure 3.b illustrates how the 1:1 rules are implemented for a “Sideways” conversion. By implementing this, the RSPO members will have the opportunity to sell an extra 150 MT MB-PK olein (refer to orange font in Figure 3b). This can be done by performing the “Convert” function in RSPO PalmTrace to convert the volume of 150 MT SG-PK stearin to 150 MT MB-PK olein.

**Figure 3.a. Palm Kernel Oil Yield (Normal)**



**Figure 3.b. Conversion 1 to 1 (Sideways)**



\*Note: this conversion can also be done with IP-PK Stearin.

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